

**An Organization Study on Hero MotoCorp Limited**  
(18MBAOS307)

Submitted by  
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1CR19MBA51

Submitted to  
**VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI**



*In partial fulfillment of the requirement for the award of the degree of*

**MASTER OF BUSINESS ADMINISTRATION**

*Under Guidance of*

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### CERTIFICATE BY THE INSTITUTION

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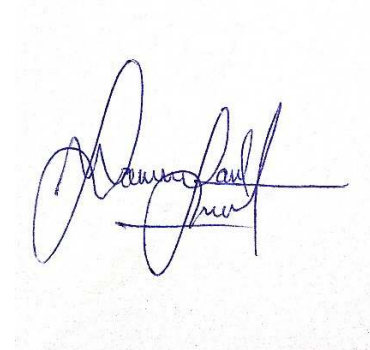
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## **DECLARATION**

I, **Mr. Money Paul** bearing USN1CR19MBA51 hereby declare that the organization study conducted at **Herp MotoCorp** is record of independent work carried out by me under the guidance of Prof. Manjunatha.S faculty of M.B.A Department of CMR Institute of Technology, Bengaluru. I also declare that this report is prepared in partial fulfilment of the university Regulations for the award of degree of Master of Business Administration by Visvesvaraya Technological University, Belagavi. I have undergone an organization study for a period of four weeks. I further declare that this report is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University/Institution.

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A handwritten signature in blue ink, appearing to read 'Money Paul', is written over a light blue grid background.

**Place: Bangalore**  
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## **ACKNOWLEDGEMENT**

I acknowledge the deep gratitude to all those who have made organization study successful and helped in preparing the report.

I would like to express my sincere thanks to **Dr. Sanjay Jain**, Principal of CMR Institute of Technology, Bengaluru for his valuable support and guidance throughout the course of organization study.

I am grateful to **Prof. Sandeep Kumar M**, HOD of the Department of MBA, CMR Institute of Technology, Bengaluru for his constant motivation and inspiration.

I thank my Internal Guide, **Prof. Manjunatha. S** of the Department of MBA, CMR Institute of Technology, Bengaluru for his constant guidance and support throughout the organization study.

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## EXECUTIVE SUMMARY

The dominant function of Hero MotoCorp Limited is to produce motorcycles which is best and efficiently suitable for the Indian market. It stands as the best motorcycle company in India which sells around 60,000 motorcycles in a month which was a good record considering the competitors in the same market in total including the scooters in the segment of automobile industry. It serves as the best and one among the top competitors of motorcycles in India. It has made the benchmark for selling efficient and most affordable motorcycles in the market and is named as the India's largest two-wheeler manufacturer on the back of high volume of motorcycles, is now aiming for a dominant position in the scooters segment also. Hero MotoCorp has entered into an interesting segment of scooters also and will be unveiling many more productions which can make the company stand out and make the organization more relevant and adopting to the Indian economic market which helps them to attain high level of profits at the same time focus on the consumer needs and be successful as the company. Their successful strategy of collaboration also has made after a quarter-century of collaboration with Honda Motors of Japan, Hero MotoCorp, Ltd., a motorcycle and scooter manufacturer based in New Delhi, India, went on to dominate its domestic market and become the world's largest maker of two-wheel vehicles. A qualitative study based on interviews with 32 executives at the firm reveals the crucial role of strategic management of technology and mutual trust in building a productive and rewarding partnership. Focusing on the elements of long-term success, it highlights the importance of indigenization, vendor development, and continuous refinement of technological capabilities while still in the collaborative phase. The lessons learned from the manufacturer's experience can guide other organizational leaders in designing effective technology management strategies before, during, and after a joint venture. The focus on bringing about the change in the organization with respect to the technology has been the motive and has made it to the mark of production, manufacturing and better sales force to achieve their goals and to build a better demand and reach more customers in the market.

The company is prominently collaborating to make sure their growth in the two-wheeler segment and the scooter segment in been reached to higher demand and to make their products and services available to the customers.

# **CHAPTER -1**

## **INTRODUCTION TO** **ORGANIZATIONAL INDUSTRY**

# 1.1 INTRODUCTION OF INDUSTRY

## Part 1 (Global Perspective)

### ❖ Introduction

The Automotive Industry sector is characterised by a relatively low trade/sales ratio. While the production of most automotive producers in the world is spread over various countries in the value chain, the brands are still considered to reflect some national identity. Internationalisation strategies may change over the lifecycle of the product and automakers tend to pursue diametrically opposed strategies. In mature markets, it is about managing what goes on beneath a static surface; in emerging markets' dynamic environments, companies must strategically position themselves to benefit from growth opportunities. However, without the right strategy and execution in mature markets, it is clear that traditional OEMs cannot profit from emerging markets-the persistence of structural issues in mature market operations eventually will rob all but the most resilient competitors of the opportunity to compete in emerging markets.

The Automotive Industry comprises a wide range of companies and organizations involved in the design, development, manufacturing, marketing, and selling of motor vehicles. It is one of the world's largest economic sectors by revenue. The automotive industry does not include industries dedicated to the maintenance of automobiles following delivery to the end-user, citation needed such as automobile repair shops and motor fuel filling stations.

### ❖ History

The automobile was first invented and perfected in Germany and France in the late 1800s, though Americans quickly came to dominate the automotive industry in the first half of the twentieth century. Henry Ford innovated mass-production techniques that became standard, and Ford, General Motors and Chrysler emerged as the "Big Three" auto companies by the 1920s. Manufacturers funnelled their resources to the military during World War II, and afterward automobile production in Europe and Japan soared to meet growing demand. Once vital to the expansion of American urban centres, the industry had become a shared global enterprise with the rise of Japan as the leading automaker by 1980.



Although the automobile was to have its greatest social and economic impact in the United States, it was initially perfected in Germany and France toward the end of the nineteenth century by such men as Gottlieb Daimler, Karl Benz, Nicolaus Otto and Emile Levassor.

### ❖ Global Market Size of the Industry

The automobile industry is driven by the production and sale of self-powered vehicles, including passenger cars, trucks, buses, and other commercial vehicles. The automobile enable the consumers to commute long distances for work, shopping, and entertainment. The development of roads, increasing standard of living, increasing middle class population in developing regions, are the factors driving the automotive industry sector. The global automotive industry is garnering much attention from various sectors, due to which it can expect a smooth run with CAGR of 2.78% during the forecast period. During that time, its value can grow from 96,804 thousand units in 2017 to 1,13,366 thousand units by 2024. Market Research Future's (MRFR) detailed report on the market has its focus on segments, drivers, and competitive analysis of the entire market.

The automotive industry includes companies and organizations involved in the design, development, and manufacture, of automobiles. The vehicles are broadly classified into passenger car and commercial vehicles, with passenger cars covering sport utility vehicles, sedan, coupe, hatchback cars, and commercial vehicle includes light trucks, buses, and large transport trucks. However, the automotive industry does not include the entities dedicated to the maintenance of automobiles, such as delivery to the end user, repair shops, and motor fuel filling stations. Rise in new vehicle sales has boosted the automotive industry, globally. The rising standard of living, availability of credit system, and the proliferating component aftermarket are expected to drive the automotive industry.

### ❖ Potentiality

Overall, the global automotive industry is in better shape than it was five years ago, especially in the US, where profits and sales have recovered following the recent economic crisis, and in China, where growth remains strong. This progress will likely

continue. By 2020, global profits for automotive OEM's are expected to rise by almost 50 percent. The new profits will come mainly from growth in emerging markets and, to a lesser extent, the US, Europe, Japan and South Korea will be stagnant in terms of profit growth.

There are four key challenges that OEMs need to address to get a piece of future profitability. The analysis of this report projects to 2020, but these challenges will shape the industry until at least 2025.

- 1) Complexity and cost pressure - There will be more platform sharing and more modular systems. At the same time, regulatory pressures will tighten, and prices in established markets are likely to be flat.
- 2) Diverging markets - OEMs need to adapt to changing regional and segment patterns of supply and demand with respect to their production and supply base footprints, supply chains, and product portfolios; and the emerging Chinese aftersales market offers new growth opportunities.
- 3) Digital demands - Consumers want more connectivity, are focused on active safety and ease of use, and are increasingly using digital sources in making their purchase decisions.
- 4) Shifting industry landscape - Suppliers will add more value in alternative powertrain technologies and in innovative solutions for active safety and infotainment; Europe needs to restructure and adjust its capacity to better match demand; and competition is emerging from China.

To capture future growth and find profit from these challenges – and to mitigate their risks – OEMs cannot simply turn to their traditional toolbox. They need to review and adjust their strategic priorities, deploy the appropriate investments and resources, and develop new skills to execute these strategic objectives.

### ❖ Turnover

Profitability remains strong in the automotive sector with an average EBIT margin of 6.0% in 2016. Suppliers reached an average margin of 7.0%, with Italian companies taking the lead (9.0%). Car manufacturers achieved a lower EBIT at 5.5%, with Japanese actors in pole position for the second year in a row. The Automotive Software and Electronic Market across the world are expected to grow to \$469 billion by 2030, from the current \$238 billion, forecasts a study by McKinsey & Company.

Also, the study forecasts that the automotive software market will grow to \$362 billion by the end of 2025. The technologies that are driving this transformation include autonomous vehicles, connectivity, electrification, and shared mobility (ACES), offering new opportunities for growth and disruption.

The study also claims that overall Automotive Market across the world will grow to \$3,800 billion by 2030, from current \$2,755 billion, at a Compound Annual Growth Rate (CAGR) of 3%. The market volume will be \$3,027 billion by the end of 2025 is been expected in consideration of the related growth and demand in the sector of automotive.

#### ❖ Major Players in the Global Market

- 1) Tata Motors
- 2) Mahindra & Mahindra Limited
- 3) Maruti Suzuki
- 4) **Hero MotoCorp Limited**
- 5) Bajaj Auto Limited
- 6) Toyota Motor Corporation
- 7) Chevrolet
- 8) MITSUBISHI Motors Corporation
- 9) Honda Motor Co Ltd. Company
- 10) Ford Motor Company

#### ❖ Total Economic Output

Currently, the development of the country's economy is difficult to imagine without the development of the automobile industry. According to the world association of car manufacturers "OICA" in 2017, 73.4 million cars and 23.84 million trucks were produced in the world. Several importance to note for the importance of Automotive Industry.

- 1) According to international estimates, the average annual turnover of the world automobile industry is more than 2.75 trillion.
- 2) Euro, which corresponds to 3.65% of world GDP. In the automotive industry over the last ten years (2007-2017) there was a 25% increase in production.
- 3) Cars are one of the world's largest export products, surpassing oil revenues, for example, world car exports by country in 2016 estimated at 698.2 billion dollars,

USA. So, among the 2500 leading companies in the investment in R&D, three major sectors dominate: pharmaceuticals and biotechnology, production of process equipment, and the automotive industry. For example, only the volume of investment in R&D corporation VW AG.

4) It has become about 13 billion euros, and two years later in 2016 about 13.2 billion US dollars. It is worth noting that tax revenue from car manufacturers in 26 industrialized countries is more than 430 billion euros per year.

## **Part 2 (Indian Perspective)**

### **❖ Introduction**

The Automotive Industry in India at present as per the Indian Automobile Report of (June 2020), India is recorded as the fifth largest auto market in 2019 with sales reaching to 3.81 million units. It was the Seventh largest manufacturer of commercial vehicles in 2019.

The two wheelers segment dominate the market in terms of volume owing to a growing middle class and a young population. Moreover, the growing interest of the companies in exploring the rural markets further aided the growth of the sector. India is also a prominent auto exporter and has strong export growth expectations for the near future. In addition, several initiatives by the Government of India and major automobile players in the Indian market is expected to make India a leader in the two-wheeler and four-wheeler market in the world by 2020.

### **❖ History**

The first car that plied on Indian roads was as early as 1897 and the first Indian to own a car in 1901 was Jamshedji Tata. It was in 1942, before India's independence that Hindustan Motors manufactured the first automobile in India.

Soon after India's independence, the Government of India tried to boost the sector by encouraging manufacturing of automobiles. Before that, the cars were imported directly.

The Automobile Sector formally came into being in the year 1952 when the Government appointed its first tariff commission with the aim of indigenizing this industry. The year 1952 also marked the introduction of passenger cars in the country. Manufacturers like Hindustan Motors, Premier Automobiles and Standard Motors

came into the limelight. Even SUV's started being manufactured by Mahindra and Mahindra, Bajaj, Standard Motors, etc. Cumbersome and medium commercial vehicles were made by 7 manufacturers which included Ashok Motors, Simpsons and Co., Premier Motors and more. Two-wheeler vehicles like scooters, motor bikes or mopeds were manufactured by Bajaj Auto, Escorts Group, Royal Enfield, Automobiles Product of India, Ideal Jawa, etc.

Motor Liberalization phase started where there were few options with automobiles. This phase continued for an extended period until the phase of the liberalisation. It encouraged many international players to foray into Indian markets. Many of them collaborated with the local manufacturers to form companies to capture markets as per the needs of local customer.

### ❖ Indian Market Size of the Industry

The automotive industry in India has come a long way from the 1950s when the annual production of vehicles was limited to 40 thousand. Early stages of production were confined to the three leading manufacturers like Hindustan Motors, Premier Automobiles and Standard Motors. Expertise in the automotive sector was by and large attained through trial and error in the early stages. Through the decades, the country emerged an important part in the global automotive industry - third largest in the Asia-Pacific in 2019.

In fiscal year 2018, the market size for auto components in the country accounted to approximately 51.2 billion U.S. dollars, up from about 43.5 billion U.S. dollars in fiscal year 2017. Industry forecasts predict the market size for automotive components is estimated to reach a value of around 115 billion dollars by fiscal year 2021. As per forecast for the fiscal year 2019, the Indian automotive sector was projected to produce approximately 24.5 million and four million two wheelers and passenger vehicles respectively.

### ❖ Potentiality

The industry currently manufactures 26 million vehicles, of which 4.7 million are exported. India holds a strong position in the international heavy vehicles arena as it is the largest tractor manufacturer, second-largest bus manufacturer and third largest heavy trucks manufacturer in the world.

In April-March 2020, overall automobile exports registered a growth of 2.95 %. Passenger Vehicles exports marginally increased by 0.17% and Two wheelers exports registered a growth of 7.30% in April-March 2020 over the same period last year.

### ❖ Turnover

As per the Automotive Component Manufacturers Association of India (ACMA), has announced the findings of its Industry Performance Review for the first half of fiscal 2019-20. The turnover of the automotive component industry that contributes 2.3 per cent to India's GDP, 25 per cent to its manufacturing GDP and provides employment to 50 lakh people, stood at Rs.1.79 lakh crore (USD 26.2 billion) for the period April 2019 to September 2019, registering a de-growth of 10.1 per cent over the first half of the previous year.

### ❖ Major Players in the Indian Market

- 1) Tata Motors
- 2) Maruti Suzuki India Limited
- 3) Mahindra & Mahindra Limited
- 4) **Hero MotoCorp**
- 5) Bajaj Auto Limited
- 6) Ashok Leyland
- 7) TVS Motor Company Limited
- 8) Eicher Motors Limited
- 9) Force Motors
- 10) SML Isuzu Limited

### ❖ Total Economic Output

India was the sixth largest producer of automobiles globally with an average annual production of about 29 million vehicles in 2017-2018, of which about 4 million were exported. India is the largest tractor manufacturer, second largest two-wheeler manufacturer, second largest bus manufacturer, fifth largest heavy truck manufacturer, sixth largest car manufacturer, and eighth largest commercial vehicle manufacturer. The contribution of this sector to GDP has increased from 2.77% in 1992-1993 to about 7.1% now and accounts for about 49% of manufacturing GDP

(2015–2016). The turnover of the automobile industry is approximately US\$ 67 billion (2016–2017) and that of the component industry is US\$ 43.5 billion (2015–2016). As per the OICA statistics, the Indian industry accounted for 4.92% of vehicle production globally in 2017 (5.38% of production in the car segment and 3.48% of production in the commercial vehicle segment).

India is a prime destination for many multinational automobile companies with aspirations of business expansion in Asia. The industry manufactures a wide range of products to meet both domestic and international demands.



## **CHAPTER -2**

### **ORGANIZATION PROFILE**



## 2.1 BACKGROUND

Industry -- Automotive

Founded -- 19 January 1984

Founder -- BrijmohanLall Munjal

Headquarters -- New Delhi, India

Key people -- Pawan Munjal (Chairman, MD & CEO)

Products -- Motorcycles, Scooters



**Hero MotoCorp Ltd.**, formerly known as **Hero Honda**, is an Indian motorcycle and scooter manufacturer based in New Delhi, India. The company is the largest two-wheeler manufacturer in the world and also in India, where it has a market share of about 46% in the two-wheeler category. The 2006 Forbes list of the 200 World's Most Respected Companies has Hero Honda Motors ranked at #108. On 31 March 2013, the market capitalisation of the company was ₹308 billion (US\$4.3 billion).

Hero Honda started its operations in 1984 as a joint venture between Hero Cycles (sometimes called Hero Group, not to be confused with the Hero Group food company of Switzerland) of India and Honda of Japan. In June 2012, Hero MotoCorp approved a proposal to merge the investment arm of its parent Hero Investment Private Limited with the automaker. This decision came 18 months after its split from Hero Honda.

"Hero" is the brand name used by the Munjal brothers for their flagship company, Hero Cycles Ltd. A joint venture between the Hero Group and Honda Motor Company was established in 1984 as the Hero Honda Motors Limited at Dharuhera, India. Munjal family and Honda group both owned 26% stake in the company. During

the 1980s, the company introduced motorcycles that were popular in India for their fuel economy and low cost. A popular advertising campaign based on the slogan 'Fill it – Shut it – Forget it' that emphasised the motorcycle's fuel efficiency helped the company grow at a double-digit pace since inception. In 2001, the company became the second largest two-wheeler manufacturing company in India and globally. It maintains global industry leadership to date. The technology in the bikes of Hero MotoCorp (earlier Hero Honda) for almost 26 years (1984–2010) has come from the Japanese counterpart Honda.

The name of the company was changed from Hero Honda Motors Limited to Hero MotoCorp Limited on 29 July 2011. The new brand identity and logo of Hero MotoCorp were developed by the British firm Wolff Olins. The logo was revealed on 9 August 2011 in London, to coincide with the third test match between England and India.

Hero MotoCorp can now export to Latin America, Africa and West Asia. Hero is free to use any vendor for its components instead of just Honda-approved vendors. On 21 April 2014, Hero MotoCorp announced their plan on a ₹2.540 billion (US\$36 million) joint venture with Bangladesh's Nitol-Niloy Group in the next five years to set up manufacturing plant in Bangladesh. The plant started production in 2017 under the name "HMCL Niloy Bangladesh Limited". Hero MotoCorp owns the 55% of the manufacturing company and rest 45% is owned by Niloy Motors (A subsidiary of Nitol-Niloy Group). Hero also updated its 100cc engine range in 2014 for 110cc bikes except Hero Dawn.

## **2.2 VISION and MISSION**

### Vision of Hero MotoCorp Ltd.

A vision is a vivid mental image of what you want your business to be at some point in the future, based on your goals and aspirations. Having a vision will give your business a clear focus, and can stop you heading in the wrong direction.

The 'Vision of Hero MotoCorp Ltd' is to "Be The Future Of Mobility"



### Mission of Hero MotoCorp Ltd.

A **mission statement** is a short statement of why an organization exists, what its overall goal is, identifying the goal of its operations, what kind of product or service it provides, its primary customers or market, and its geographical region of operation.

The 'Mission of Hero MotoCorp Ltd' are as follows:

#### \*CREATE

Re-define mobility through the creation of a mobility roadmap.  
Set best practice and benchmarks for the industry.

#### \*COLLABORATE

Leverage partnerships and exhibit Teamwork.  
Co-create solutions that benefit the community, while caring for both the internal and external environmental ecosystems and support sustainability.

#### \*INSPIRE

Move forward with purpose.  
Inspire our colleagues, customers and communities.  
Thrive on the local and global stage.

## **2.3 QUALITY POLICY**

Excellence in quality is the core value of Hero MotoCorp philosophy. We are committed at all levels to achieve high quality in whatever we do, particularly in our products and services which will meet and exceed customer's growing aspirations through:

- Innovation in products, processes and services.
- Continuous improvement in our total quality management systems.
- Teamwork and responsibility.

## **2.4 OWNERSHIP PATTERN**

Regarding the ownership pattern based on the Shareholding pattern of the organization are as follows:

Number of Shares – 100%

- Promoters – 37.77%
- Foreign Institutions – 37.71%
- National Banks Mutual Funds – 8.01%
- Others – 4%
- General Public – 6.8%
- Financial Institutions – 13.71%

## **2.5 PRODUCT/SERVICE PROFILE**

As of today: Hero MotoCorp manufactures currently several Scooters that are:

- Hero Pleasure
- Hero Pleasure Plus
- Hero Maestro Edge
- Hero Destiny 125
- Hero Duet

Hero MotoCorp currently manufactures several models of Bikes that are:

- Hero HF: HF Dawn, HF Deluxe, HF Deluxe Eco, HF Deluxe i3s
- Hero Splendor: Splendor+, Splendor Pro, Splendor Pro Classic, Super Splendor, SplendoriSmart, SplendoriSmart 110
- Hero Passion: Passion Pro, Passion i3S, Passion XPRO
- Hero Glamour: Glamour, Glamour FI
- Hero Xtreme: Xtreme Classic, Xtreme Sports
- Sporty: Karizma ZMR.

-Others: Ignitor, Achiever, Hunk, Impluse

Many service centres are put up by the Hero MotoCorp in many parts of the state and cities in India where the service centres are highly maintained and well efficient for the customers to go and service their motorcycle in an easy manner.

## **2.6 ACHIEVEMENTS/AWARDS**

Hero MotoCorp has attained many achievements and awards throughout every year in a more effective manner. I would like to state the awards achieved for the year 2018 and 2020 till date.

2018 Awards received for Hero MotoCorp:

- ✓ Best launch of Two-wheeler at the CNB Auto Expo Awards for Excellence 2018
- ✓ Highest Ranked Executive Motorcycle in Initial Quality - Hero Super Splendor - by JD Power India
- ✓ Bike Sport award of the year - Times Auto Awards

2020 Awards received for Hero MotoCorp:

- ✓ Motorcycle of the year- Exhibit Auto Tech Awards 2020
- ✓ Tourer Bike of the Year (Upto 250cc) - Flywheel Auto Awards 2020
- ✓ Business Leader of the Year Awards
- ✓ Car & Bike India Awards
- ✓ Scooter of the year - Bike India
- ✓ Bike of the Year up to 200 cc - Bike India
- ✓ Two-wheeler of the year - Bike India



## 2.7 FUTURE GROWTH AND PROSPECTS

'Be the future of mobility', that's the new vision for Hero MotoCorp as it works on multiple strategies aimed at sustainable growth in an age of disruptions. Some of them could see the Rs 33,651 crore company venture into new areas of mobility, perhaps beyond motorcycles and scooters. And beyond vehicles, to services too.

To achieve its goals in the fast-changing and disruptive mobility industry, Hero MotoCorp could strike some new partnerships. "There could be multiple partnerships going forward for various different things," says Pawan Munjal, chairman, MD and CEO, Hero MotoCorp. Among the new partners could also be a market rival, or two. "Friends and enemies are getting together. This is the era of partnerships, so anything is possible," says Munjal.

Not quite a rival, but premium motorcycle maker Harley-Davidson is reportedly in talks with Hero for a crop of midsize motorcycles, an emerging segment in India and overseas too. Hero's peers TVS Motor Co (with BMW Motorrad) and Bajaj Auto (KTM, Husqvarna, Triumph) have made struck different kinds of partnerships to enter the premium motorcycle segment, while offering their partners an opportunity to play in segments, and markets, that offer much bigger volumes and thereby help them grow well.

To help it be in tune with the fast-changing times, Hero MotoCorp has reorganised its organisational structure to add a new unit called Emerging Mobility Business Unit. This unit is tasked to identify new opportunities in the mobility space. In this quest, the company is working with start-ups – external and internal.

### **Future Strategy**

Quark 1, a concept that can be operated as a two- or three-wheeler is one example of a project by an internal start-up. Based on an 'Advanced Modular Scalable Electric Platform', Quark 1 is one of the multiple projects under Hero Hatch, the company's incubation centre and indicative of the fact that the OEM's future mobility solutions may also have more than two wheels. An online marketplace for pre-owned two-wheelers that's currently that's currently undergoing market trials is another project by an internal start-up. Ather Energy, where Hero MotoCorp has a 31 percent stake is an example of the OEM partnering with an external start-up.

**New big-ticket investment planned** where Hero MotoCorp will invest "in the region of" Rs 10,000 crore on R&D, alternate mobility solutions, network expansion, brand building across the globe, and more. Rajat Bhargava, Head - Strategy & Performance Transformation, Global Business & Emerging Mobility, Hero MotoCorp says, "There are also projects in the pipeline which are catering to the intersection of connected, electric and sharing." "There could be collaboration for some of these too, with the goal of being a strong player in the mobility industry. After a decade of successfully riding solo, after parting ways with Honda, the current decade will see Hero MotoCorp take a series of steps to 'be the future of mobility'. It will also see the OEM, which has increased its exports business to reach around 40 markets now, to take steps to what Munjal says as "find our rightful place in the global business".

India's largest two-wheeler maker Hero MotoCorp has announced that it aims to sell as much as ten lakh units in the overseas markets in the next 5-6 years. The company has also prepared a list of markets which it has decided to enter and later to dominate. To mention its plans for the domestic front, HMC is looking forward to invest a whopping sum of INR 1,000 crore to set up two new manufacturing facilities besides expanding the output of three of its existing plants.



**CHAPTER -3**

ANALYZING

BUSINESS MODEL'S

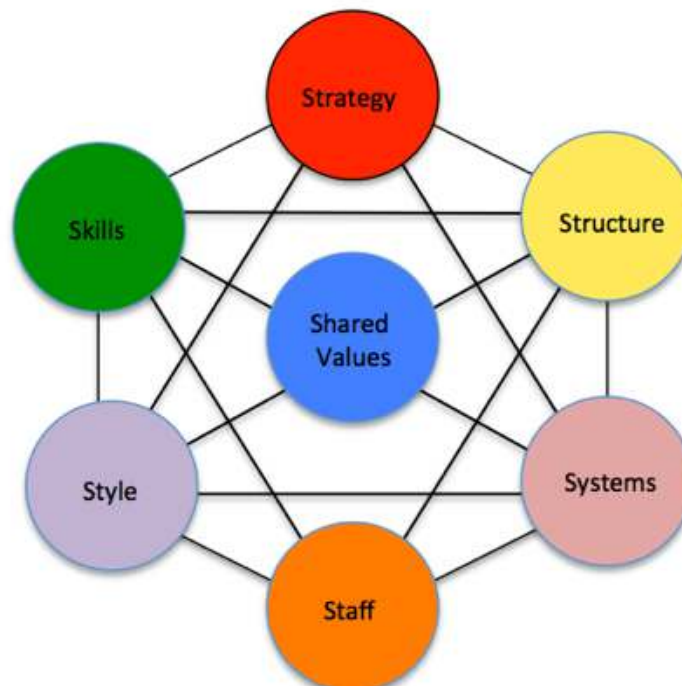


### 3.1 McKinsey's 7S Framework MODEL

McKinsey 7s model was developed in 1980's by McKinsey consultants Tom Peters, Robert Waterman and Julien Philips with a help from Richard Pascale and Anthony G. Athos. Since the introduction, the model has been widely used by academics and practitioners and remains one of the most popular strategic planning tools. It sought to present an emphasis on human resources (Soft S), rather than the traditional mass production tangibles of capital, infrastructure and equipment, as a key to higher organizational performance. McKinsey 7s model is a tool that analyses firm's organizational design by looking at 7 key internal elements in order to identify if they are effectively aligned and allow organization to achieve its objectives. The goal of the model was to show how 7 elements of the company which can be aligned together to achieve effectiveness in a company.

It argues that organisational effectiveness involves more than simply putting in place the right command and control structure to coordinate the delivery of an organisation's strategy. Instead, the framework maps a constellation of seven interacting factors that are key to helping people function effectively together, in order to achieve a high-performance organisation.

#### Elements of McKinsey's 7S Framework:



### **Objective of analysing the model**

Is to analyse how well an organization is positioned to achieve its intended objective as follows:

#### **Usage**

- Improve the performance of a company
- Examine the likely effects of future changes within a company
- Align departments and processes during a merger or acquisition
- Determine how best to implement a proposed strategy

The basic premise of the model is that there are seven internal aspects of an organization that need to be aligned if it is has to be a successful business in the economy.

#### **Hard Elements**

- Strategy - Purpose of the business and the way the organization seeks to enhance its competitive advantage.
- Structure - Division of activities; integration and coordination mechanisms.
- Systems - Formal procedures for measurement, reward and resource allocation.

#### **Soft Elements**

- Shared Values
- Skills - The organization's core competencies and distinctive capabilities.
- Staff - Organization's human resources, demographic, educational and attitudinal characteristics.
- Style - Typical behaviour patterns of key groups, such as managers, and other professionals.

### **Analysing McKinsey's Framework 7S Elements on**

#### **HERO MotoCorp Ltd.**

### **A. STRATEGY**

Strategy is simply the goals you choose and the actions you take to achieve those goals that are set by an organization effectively.

Hero MotoCorp uses these strategies for the business:

- Growth Strategy - The Corporate strategy is primarily about the choice of direction for a firm as a whole and the management of its business or product portfolio.
- Concentrated Strategy - If the company's current product lines have real growth potential, concentration of those resources on those product lines makes sense as a strategy for growth. The two basic concentration strategies are vertical and horizontal growth.
- Vertical and Horizontal Strategy - Vertical growth can be achieved by taking over a function previously provided by a supplier or by a distributor. The company in effect to it, grows by making its own supplies and by distributing its own products.

Here, in corporate strategy the Hero MotoCorp looks for the vertical growth wherein it has increased its distribution and has 3000+ distributors and servicing centres which shows that the company focuses on the vertical growth and this strategy might have benefitted the company in terms of guaranteeing & assuring the quality of the product and service.

- Diversification Strategy - Ather Energy, the Bangalore based smart electric two-wheeler start-up, has announced that India's largest two-wheeler manufacturer Hero MotoCorp is taking a 26 - 30% stake in the company where Hero MotoCorp has applied the strategy of diversification of the business to gain profit at the same time to achieve their objectives.
- Concentric Strategy - For Hero MotoCorp buying into Ather-Energy is a strategic decision commenting on taking a stake in Ather Energy. Pawan Munjal the Chairman, MD and CEO of Hero MotoCorp said "Adoption of environmental-friendly fuel is a priority for Hero, as is propagating sustainable manufacturing through green facilities. One of our strategic priorities therefore, is to engage with the external eco-system including start-ups in adjacent areas. Hero MotoCorp intends to enhance its participation in the electric vehicle space by pursuing its internal EV program in addition to partnering with AtherEnergy.

## **B. STRUCTURE**

Board of Directors	
Name	Designation
Mr. Pawan Munjal	Chairman & M.D & CEO
Mr. Vikram S Kasbekar	Executive Director - Operations
Mr. M Damodaran	Ind. Non-Executive Director
Mr. Paul Edgerley	Ind. Non-Executive Director
Prof. Jagmohan Singh Raju	Independent Director
Ms. Tina Trikha	Independent Director
Mr. Suman Kant Munjal	Non-Executive Director
Mr. Pradeep Dinodia	Non-Executive Director
Key Executives	
Name	Designation
Mr. Niranjan Gupta	Chief Financial Officer
Mr. Vijay Sethi	Chief Information Officer
Dr. Markus Braunsperger	Chief Technology Officer
Ms. Neerja Sharma	Co. Secretary & Chief Compl. Officer
Mr. Rajat Bhargava	Head
Mr. Neeraj Mathur	Head
Mr. Sanjay Bhan	Head
Mr. Malo Le Masson	Head

### C. SYSTEMS

Several systems followed in order to keep the organization in more effective and systematic manner to make the organization stand out by the systems they use as rules and regulations are as follows:

- 1) Introduction to organization
- 2) Scope
- 3) Applicability
- 4) General Concerns
- 5) Code of Ethics for users
- 6) Prohibited Activities
- 7) Modification or Destruction
- 10) Reasonable use
- 11) Intellectual Property Rights
- 12) Electronic Messaging
- 13) Confidentiality and Protection of personal information
- 14) Hero MotoCorp's Responsibility
- 15) User's Responsibility

8) Actions causing damage

16) Emergency and Security measures

9) Unauthorized access

17) Sanction

#### **D. SKILLS**

Hero MotoCorp Ltd. set up “Centre for Excellence” to build skill set amongst Youth which can make the youth and young generation equipped with several skill sets to achieve better and to inspire for a great future.

In keeping with its commitment to promote skilling amongst the youth, Hero MotoCorp Ltd, the world’s largest manufacturer of motorcycles and scooters, opened on 1 October 2019 at New Delhi, a world-class training centre “The Centre of Excellence” at the Industrial Training Institute, Nizamuddin in New Delhi. Launched in association with the Department of Training and Technical Education, Government of the National Capital Territory of Delhi, the centre will build key skillset amongst the youth, thereby enhancing career opportunities for them in the two-wheeler industry.

Mr. Vimal Dimri, Deputy Director, Training & Technical Education, Government of NCT of Delhi and Mr. Vijay Sethi, Chief Information Officer, Chief Human Resources Officer & Head Corporate Social Responsibility, Hero MotoCorp, inaugurated the learning facility. With the stated objective of ‘HUNAR SE KAMYABI TAK’ (means from Skilling to Success), Hero MotoCorp has so far imparted skills training to more than 20,000 youth by creating state-of-the-art skill development centres across the country. Commenting on the occasion, Mr. Vijay Sethi, Head Corporate Social Responsibility, Chief Information Officer & Chief Human Resources Officer, Hero MotoCorp said, "Hero MotoCorp is a responsible corporate and is committed to empowering the youth with upgraded skill-set required in the dynamic two-wheeler industry. We are constantly engaging with the external ecosystem to induce effective and topical learning programs, both at national and regional levels.

This new initiative with the Department of Training & Technical Education is yet another effort to create a robust talent pool, and we will continue to this drive with fervour.” The Centre of Excellence is equipped with conventional learning facilities,

including a fully automated workshop with pneumatic tools and precision equipment. In addition, live cut sections of Hero Engines and other two-wheeler parts have also been installed to help trainees gain hands-on expertise of the latest automobile technologies. The learning modules will be conducted by fully-trained faculty, helping trainees grasp theoretical and practical know-how of the two-wheeler repair and maintenance process.

The initiative inculcates holistic life and technical skills, with an aim to support education, knowledge sharing and skill development, thereby ensuring the employability of its beneficiaries.



## **E. STAFF**

Staff element is concerned with what type and how many employees an organization will need and how they will be recruited, trained, motivated and rewarded.

The training & development team at Hero Corporate has developed content and trained over 10,000+ employees in the Automotive & Manufacturing Industries in India. The underlying philosophy of this cell is to enable sharing of best practices through the creation of a platform to exchange ideas and continuous learning for all stakeholders. The cell arranges for world-class speakers and experts in various areas of economy to address different groups of individuals. This provides a platform for inter-disciplinary learning, brain-storming as well as knowledge creation and sharing. The key success factor for the ongoing Training & Development cell at Hero Corporate is to understand the need of the hour at both ends of the spectrum. At the board-level, video based and class room teaching methods for a variety of topics ranging from quality management, benchmarking to personality management programmes are used across the group for senior professionals.

There are almost 8551 number of employees as per 2019 record that currently work with Hero MotoCorp and as per the overall review about the staff in the organization as well who are pleased to work with Hero MotoCorp and their business.

## **F. STYLE**

The Code of Conduct has been adopted by the Board of Directors of Hero MotoCorp Limited for its members and Senior executives one level below the Directors, including all functional heads (hereinafter referred to as "Specified employee"). There are certain clauses of the Code, which are meant for Directors only such as attending meetings of the Board and Committee thereof. The Specified employees need to ignore such clauses. The principal duty of the Board of Directors along with management is to ensure that the Company is well managed in the interests of its shareholders. The Board of Directors plays the central role in the Company's governance. It is the Company's decision-making authority on all matters except those reserved to shareholders or delegated to the management. The Board of Directors is not expected to assume an active role in the day-to-day management of the Company.

Several norms are characterized on the code of conduct based on the behaviour norms that has to be followed by all the employees in the organization namely:

- Duties of Independent Directors - The independent directors shall undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company.
- Guidelines for Conduct - Each director and Specified Employees seek to use due care in the performance of his/her duties, be loyal to the Company, act in good faith and in a manner such Director and Specified employee reasonably believes not opposed to the best interests of the company.
- Corporate Business Opportunities - In carrying out their duties and responsibilities, Directors and Specified employees should avoid Appropriating corporate business opportunities for themselves that are discovered through the use of Company property or information or their position as Directors and Specified employees; Using Company property or information, or their position as Director and Specified employees, for personal gain; and Competing with the Company.

- Confidential Information - Director and Specified employees should maintain the confidentiality of information entrusted to them in carrying out their duties and responsibilities, except where disclosure is approved by the Company or legally mandated or if such information is in the public domain.
- Fair Dealing and Unity - In carrying out their duties and responsibilities, Director and Specified employees should endeavour to deal fairly, and should promote fair dealing by the Company, its employees and agents, with customers, suppliers and employees.
- Compliance with Laws and Regulations - In carrying out their duties and responsibilities, Directors and Specified employees should comply, and endeavour to ensure that the management is causing the Company to comply, with applicable laws, rules and regulations.
- Insider Trading - Director and Specified employees should observe all applicable laws and regulations including the Company policies and Codes as applicable to them with respect to the purchase and sale of the Company's securities.
- Reporting of Illegal or Unethical Behaviour - Director and Specified employees should endeavour to ensure that management is causing the Company to promote ethical behaviour and to encourage employees to report evidence of illegal or unethical behaviour to appropriate Company personnel.
- Employees - The Director and Specified employee should respect each and every employee of the Company, treat each of them in a fair and equitable manner; respect their privacy and not to share/disclose their personal information without their prior consent; maintain non-discriminatory approach and refrain from harassing employees, making sexual advancements, coercion, threat by virtue of his/her position with the Company.
- Shareholders - The Director and Specified employee should ensure to protect shareholders interest by ensuring maintenance of accurate and complete records by avoiding false misleading or artificial entries in the Books of accounts.
- Customers - The Director and Specified employee should ensure to provide products and services, which meet the desired quality and safety standards and redress the Customer's grievance genuinely.



## **G. SHARED VALUES**

Shared Values are at the core of McKinsey 7s model. They are the norms and standards that guide employee behaviour and company actions and thus, are the foundation of every organization. The authors of the framework emphasize that all elements must be given equal importance to achieve the best results.

A company that believes in maintaining ecological standards along with business standards.

"We must do something for the community from whose land we generate our wealth." said Ex-Chairman Dr. Brijmohan Lall Munjal. At Hero MotoCorp, our goal isn't limited to business but encompasses the broader spectrum of serving humanity through social initiatives. Hero MotoCorp takes a stand as a socially responsible enterprise respectful of its environment.

Hero MotoCorp has been strongly devoted not only to environmental conservation programs but also expresses the increasingly inseparable balance between economic concerns, environmental and social issues faced by business. A business must not grow at the expense of mankind but must serve humankind at large. Several standards of Hero MotoCorp are:

- ❖ Related Part Transactions Policy
- ❖ Environmental Policy
- ❖ Occupational Health & Safety Policy
- ❖ Corporate Social Responsibility (CSR) Policy
- ❖ Remuneration and Board Diversity Policy
- ❖ Preservation of Documents and Archival
- ❖ Dividend Distribution Policy
- ❖ Policy for Determination of Materiality
- ❖ Policy on Material Subsidiaries
- ❖ Code of Conduct
- ❖ Code of Practices and Procedures of Fair Disclosure
- ❖ Risk Management Policy
- ❖ Quality Policy

### **3.2 PORTER's Five Forces MODEL**

The tool was created by Harvard Business School professor Michael Porter, to analyse an industry's attractiveness and likely profitability. Since its publication in 1979, it has become one of the most popular and highly regarded business strategy tools. Porter identified five forces that make up the competitive environment, and which can erode your profitability. These are:

1) Competitive Rivalry: This looks at the number and strength of your competitors. How many rivals do you have? Who are they, and how does the quality of their products and services compare with yours? Anywhere rivalry is intense, companies can attract customers with aggressive price cuts and high-impact marketing campaigns.

2) Supplier Power: This is determined by how easy it is for your suppliers to increase their prices. How many potential suppliers do you have? How unique is the product or service that they provide? The more you have to choose from, the easier it will be to switch to a cheaper alternative. But the fewer suppliers there are, and the more you need their help, the stronger their position and their ability to charge you more. That can impact your profit.

3) Buyer Power: Here, you ask yourself how easy it is for buyers to drive your prices down. How many buyers are there, and how big are their orders? How much would it cost them to switch from your products and services to those of a rival? Are your buyers strong enough to dictate terms to you? When you deal with only a few savvy customers, they have more power, but your power increases if you have many customers.

4) Threat of Substitution: This refers to the likelihood of your customers finding a different way of doing what you do. For example, if you supply a unique software product that automates an important process, people may substitute it by doing the process manually or by outsourcing it. A substitution that is easy and cheap to make can weaken your position and threaten your profitability.

5) Threat of New Entry: Your position can be affected by people's ability to enter your market. So, think about how easily this could be done. How easy is it to get a foothold in your industry or market? How much would it cost, and how tightly is your

sector regulated? If you have strong and durable barriers to entry, then you can preserve a favourable position and take fair advantage of it.



Analysing the PORTER’S Five Forces Model of Hero MotoCorp:

➤ **COMPETITIVE RIVALRY**

The competition among the firms help in identifying the lucrativeness of an industry where companies are competing hard in order to maintain their power within the industry. The Hero MotoCorp competition is moreover on basis of diversity, the development within the sector and the barriers related to entrance in the market. The competitive rivalry is the analysis of the brands and the product, its strengths and weakness along with the strategies, competitors and the share in the market.

Hero MotoCorp's top 11 competitors are Bajaj Auto, TVS, Ather Energy, Go Green BOV, HERO, Maruti Suzuki, Yamaha Motor, Hyundai, Royal Enfield, Tata Motors and Honda. Together they have raised over 180.6M between their estimated 684.2K employees.

Hero MotoCorp has 8,551 employees and is ranked 6th among its top 10 competitors. The top 10 competitors average 57,731.

➤ **BARGAINING POWER OF SUPPLIERS**

Powerful suppliers possess more power to capture significant value for themselves by demanding high prices while limiting the quality and the quantity of the product or services or by transferring the cost on the participant of the industry. Many conditions imposed by the suppliers generally include the increase in price while compromising the quality and quantity.

Bargaining Power of a supplier in the market is strong if:

- It is more concentrated than the industry it is selling to.
- It is not heavily relying on the industry for its profits.
- If the participants in the industry have to incur high cost for switching suppliers or the firms are located adjacent to the suppliers manufacturing facilities.
- The product being offered by the suppliers are highly differentiated.
- And when there is no close substitute available for the products being supplied by the suppliers.

➤ **BARGAINING POWER OF BUYERS**

The buyers having strong bargaining power can highly influence the profitability of the suppliers operating in the market by imposing condition that are not much favourable for the suppliers in terms of price, quality or service. Powerful buyers could flip the side of the powerful supplies by forcing the prices to move downwards and by demanding high quality and services by creating a competition between the participants in the industry on the basis of price and quantity. Hero MotoCorp Customer are deemed strong if they contain negotiating leverage specifically if the industry is sensitive to price, the buyers can pressure suppliers for further price reductions.

Customer is assumed to have strong buying power in case:

- If the number of buyers is limited or each of the buyer purchases large quantity relative to the size of the suppliers.
- The products in the industry are standardized or are undifferentiated.

- The cost of switching is comparatively low.

➤ **THREAT OF SUBSTITUTE PRODUCTS**

The Hero MotoCorp substitute products are an alternative that are available in the market at comparatively better prices. Such products prevail due to the technological and innovative advancement. Due to which the products being produced by the companies that are already existing in the market and is using the same technology are than replaced by the other company's products that are comparatively better in terms of price and quality and are being produced from sectors with significant profits. The substitute products are dangerous as the companies are under constant threat of being replaced.

High threat of substitute leads to low profitability as it limits the industry profits by placing a price ceiling due to the fear of being substituted by other product. Apart from this it also affects the growth potentials of the industry as a whole but reducing the profitability margins.

➤ **THREAT OF NEW ENTRANTS**

It is in the favour of the companies that exist in the market to create barriers for the new entrants to prevent them from entering into the industry. The organizations could be the new companies or the companies that are planning to diversify itself in the market. The barriers can be both industrial and legal. Apart from this the size and the reputation of the companies that are already operating in the market also play an important. Furthermore, the cost related to the entry, access to raw materials, barriers related to culture and technical standards also play a major role and can affect the decision of the new entrants in the market.

**CHAPTER - 4**

**SWOT ANALYSIS**

## SWOT Analysis of Hero MotoCorp

The acronym “SWOT” stands for Strength, Weakness, Opportunities and Threats. It is a useful tool that is widely used for strategic planning and management in many organizations. It is effectively used in building strategies for the organization to maintain its competitiveness in the market. It is simple yet powerful tool that help the organization in identifying its existing resources, capabilities, deficiencies, the existing opportunities and threats prevailing in the market.

It is a strategic planning framework that is commonly used to evaluate the organization, a plan, business or any other project. It helps in determine the organizational and environmental factors that could affect the decision to be made. It is carried out to analyse the position of an organization in in the market compare to its competitors and the major factors that are affecting the competitiveness before crafting any business strategy.

SWOT analysis mainly have two dimensions internal and external dimensions.

Internal dimension includes all the factors that could affect the organization which is the strength and the weakness while the external factor includes the environmental factors that is the opportunities and the threats.



### Components of Hero MotoCorp SWOT analysis are:

SWOT analysis is a process that include four areas that are further divided into two dimensions i.e. internal and external factors. In SWOT analysis the strong and weak aspect of an organization is determined by evaluating the elements within the

environment while the opportunities and threats of an organization are determined by examining the element outside the environment. In this way SWOT allows the comparison of organization's resources and capabilities with the competitive environment in which it is operating.

#### **4.1 STRENGTHS**

Strength is a characteristic that adds value to something by making it more special, unique and advantageous when compared. In this element of SWOT, the abilities and the key properties of organization are discussed that gives an organization an advantage over other organizations by making it more competitive. It defines the characteristics and situations of an organization which makes it more effective and efficient when compare with its competitors. It defines the areas in which the organization hold a command or is good at doing it and that provides the organization and important capability. It can be a skill, a resource, image, market leadership, relation with buyer or supplier or any other advantage relative to its competitors that fulfil the needs of the market by providing the organization with a comparative advantage.

Strengths of Hero MotoCorp are:

- Huge Brand Equity - This is really one of the biggest strengths of Hero MotoCorp. This company is one of the biggest players in the market of two-wheelers.
- Strong Brand Image - A Company can only grow once it is popular by its brand name. Hero MotoCorp is really one of those companies who can play hard on the popularity field.
- Excellent Distribution - Hero MotoCorp has more than 3000 dealerships and service centres which have made it the leading company in the industry.
- Wide Variety of Products - The more products a company launch successfully, the more popular it becomes. Hero MotoCorp is, therefore, the real hero in the market.



- Awards and Recognition - Customers can rely on a brand when it is acknowledged with rewards and awards. Hero MotoCorp has received many in all these years.
- Sponsorships - Events, related to sports and racing provide sponsorships to the company that has made it hugely popular of all its competitors.

## **4.2 WEAKNESS**

Hero MotoCorp Weakness refer to the situation in which the existing capabilities and the resources the company holds are weaker or not sufficient compared to others organizations in the market. In other words, it means the aspects in which the organization is less efficient and needs to improve in order to align with the market trends. As these aspects negatively affect the overall performance of the organization by making it weaker compared to its competitors.

These are the factors that an organization lacks and does poorly in comparison to the organizations operating in the same market at the same level. It is a deficiency or limitation of resources, capabilities, skills that majorly affect the organizations effective performance. Management capabilities, Facilities, financial resources, marketing skills and the weak brand image can be the sources of weakness.

Weakness means the areas where the business has lagged behind from others. There are chances to overcome those and get back on to the track. The weaknesses of Hero MotoCorp are as follows-

- Strong Competition - There are lots of national and international players in the market who give tough competition to the Hero MotoCorp.
- Lack of Innovation - Maximum products of Hero MotoCorp comes with almost similar features, whether is design and functions.

## **4.3 OPPURTUNITIES**

Hero MotoCorp Opportunity is an advantage and the driving force for an organization. It is the convenient time or situation that is present in the environment and will help the organization in achieving its goals. It is a factor that contribute

positively towards the growth of the organization. It is a condition existing in the external environment that allow the organization to take an advantage of the organizational strengths, and help in overcoming the weaknesses and to neutralize the threats present in the environment.

The only one factor which play essential role in gaining revenues.

The opportunities for this company are as follows-

- Growing Industry - The demand for two-wheelers are increasing a lot, and that brings the opportunity for the company to grow bigger.
- Joint Ventures and Acquisitions
- Entering to Electric two-wheelers segment

#### **4.4 THREATS**

Threats are the factors that prevent the organization from the actualization of an activity. It is an unfavourable situation that exist in the environment making it difficult for the organization to achieve its defined goals. It is a situation that arises as a result of the changes that took place in the immediate or distant environment, preventing the organization from maintaining its existence and superiority in the growing competition and are disadvantageous for the organization.

All the environmental factors are considered as a threat to an organization that could affect the efficiency and effectiveness of the organization.

These are the factors where the company is lagged behind its competitors. The areas are as follows:

- Strong Competition - There are lots of other companies which are emerging rapidly and give tough competition to the company.
- Betterment of Public Transport - As other modes of transportation have increased a lot; the use of two-wheelers is not in demand.

However, there are some Limitations of Hero MotoCorp SWOT analysis:

The SWOT analysis is only a one stage of the business planning process and do not provide the organization with an in-depth analysis or research that could lead to a firm

decision. Apart from this it only covers the issues that are definite and doesn't priorities them. In addition to this it does not provide any solution or alternatives decisions. As a framework, SWOT does process a value but it doesn't provide the organization with any specific direction on how the key aspects can be identified. It significantly relies on the capabilities of the manager that how effectively it can prioritize and determine the most important element. Another limitation associated with Hero MotoCorp SWOT analysis is that it provides equal weight to each factor regardless of their impact or relevancy.

# **CHAPTER - 5**

## **FINANCIAL ANALYSIS**

## **Financial Analysis of Hero MotoCorp**

Hero MotoCorp Financial analysis is the assessment of the stability, viability as well as profitability of a sub-business, business or project. It is the process that is widely used for identifying the financial weaknesses and strengths of the corporations, this can be done by building the relationship between items of the profit & loss account and balance sheet. It can be used for examining the business operations from the variety of perspective for determining the ways that can be used to strengthen the business and understating the greater financial condition or situation. The process scans the financial statement to evaluate the relationship the disclosed items. In other words, the analysis keeps focusing on the past performance evaluation in terms of profitability, liquidity, growth potentiality and operational efficiency. The analysis of the financial statement involves the methods use in interpreting and assessing the outcome of the current and past financial position or performance since they associate to particular interest factors in investment decisions. Thus, the analysis of the financial statement is important mode of assessing the past performance as well as planning and forecasting the future performance.

The **Elements** assessed by Hero MotoCorp Financial Analysts are as follows:

- Profitability - The financial analyst generally assesses profitability of an organization since it is the ability allow organization sustaining growth and earing income in both long term and short term. A degree of profitability of an organization highly depends on the income statement reporting on the operations results of company.
- Solvency -It is the ability of an organization paying off its liabilities or obligations to third parties or creditors in long term. The solvency depends upon the balance sheet of company indicating the company's financial condition at a given period of time.
- Liquidity - It is the ability of an organization satisfying immediate obligations, maintaining positive cash flows and it most likely based on the balance sheet of company depicting the financial condition of organization.
- Stability - The ability or an organization to remain in the business for the longer period of time without sustaining significant losses while conducting the business

operations. By assessing the stability of the company needs use of balance sheet and income statement as well as non-financial and financial indicators.

The **Users** of Hero MotoCorp Financial Statement Analysis are listed below:

- Management - The controller of the company most likely prepares the ongoing analysis of the financial results of company in relation to the unseen operational matrices by outside entities.
- Investors – Both the prospective and current investors tend to examine the financial statements for leading the ability of company to continue generating cash flows, issuing dividends and growing at historical rate.
- Creditors - It is one who has landed funds to the organization likely show his interest in its ability paying back the debt, thus keep focusing on measures of cash flows.

Types of Financial Analysis used by Hero MotoCorp are:

- Financial ratios:

Significantly, creating the financial ratio add meanings to the accounting and financial data of the business. The use of the financial ratios would provide assistance thereby leading to the overloaded information. The ratios are sub-divided into the major groups that tend to cover the financial areas.

- Sales:

The sales amount of an organization depicts the business size. The sales implications for the selling and purchasing power, economies of scale and amount of market share. The % change in sales invokes that how rapidly or quickly the sales have been growing over the period of time, thus leading to answer the question regarding growth in relation in competitors and general economy.

The Financial Structure followed by Hero MotoCorp are:

Financial leverage multiplier: It is the connection between return on equity and return on assets of an organization. It provides the way of looking at the relative equity and debt amount that has been using by company in order to finance the assets.

Current debt to equity ratio: It is the mix if the debt of an organization. In case of high current debt to equity ratio, it means that the company would be in problematic situation while paying its bills.

Equity turnover: In case of high debt to equity ratio, it might because of the too little equity or too much debt burden on an organization.

Analysis on Balance Sheet of Hero MotoCorp considering the previous 5 years of the financial year Mar2016 to Mar2020 are as follows:

**Rs (in Crores)**

<b>Particulars</b>	<b>Mar'20</b>	<b>Mar'19</b>	<b>Mar'18</b>	<b>Mar'17</b>	<b>Mar'16</b>
<b>Liabilities</b>	<u>12 Months</u>	<u>12 Months</u>	<u>12 Months</u>	<u>12 Months</u>	<u>12 Months</u>
Share Capital	55.39	49.54	39.94	39.94	39.94
Reserves & Surplus	14081.01	12807.58	11728.94	10071.35	7904.81
<b>Net Worth</b>	<b>14136.40</b>	<b>12857.12</b>	<b>11768.88</b>	<b>10111.29</b>	<b>7944.75</b>
Secured Loan	.00	.00	.00	.00	.00
Unsecured Loan	.00	.00	.00	.00	.00
<b>TOTAL LIABILITIES</b>	<b>14136.40</b>	<b>12857.12</b>	<b>11768.88</b>	<b>10111.29</b>	<b>7944.75</b>
<b>Assets</b>					
Gross Block	10101.96	7994.83	7573.79	6857.99	5926.16
(-) Acc. Depreciation	3984.88	3376.25	2919.25	2462.40	2089.42
<b>Net Block</b>	<b>6117.08</b>	<b>4618.58</b>	<b>4654.54</b>	<b>4395.59</b>	<b>3836.74</b>
Capital Work in Progress	341.27	541.86	318.39	465.05	605.40
Investments	8222.65	5968.61	7525.20	5889.85	4266.37
Inventories	1091.97	1072.37	823.58	656.31	672.98
Sundry Debtors	1603.14	2821.57	1520.18	1561.87	1282.80

Cash and Bank	241.86	136.46	141.34	136.73	131.36
Loans and Advances	1131.36	2481.74	1755.57	1588.86	1545.04
<b>Total Current Assets</b>	<b>4068.33</b>	<b>6512.14</b>	<b>4240.67</b>	<b>3943.77</b>	<b>3632.18</b>
Current Liabilities	4344.00	4607.84	4795.19	4468.66	3512.75
Provisions	268.93	176.23	174.73	114.31	883.19
<b>Total Current Liabilities</b>	<b>4612.93</b>	<b>4784.07</b>	<b>4969.92</b>	<b>4582.97</b>	<b>4395.94</b>
<b>NET CURRENT ASSETS</b>	<b>-544.60</b>	<b>1728.07</b>	<b>-729.25</b>	<b>-639.20</b>	<b>-763.76</b>
Misc. Expenses	.00	.00	.00	.00	.00
<b>TOTAL ASSETS(A+B+C+D+E)</b>	<b>14136.40</b>	<b>12857.12</b>	<b>11768.88</b>	<b>10111.29</b>	<b>7944.75</b>

Analysis based on the financial statement of Hero MotoCorp are as follows:

- The Share Capital of the company remained same from Mar2016 - Mar2018, whereas the company has been getting better after Mar2018 and the marginal share value has been increasing and has been better comparatively considering the previous years with almost of increase of 20-25 thousand crores in the share capital value, The Share Value Capital keeps on getting better and Hero MotoCorp is running in a better way comparing the aspects of Share Capital.

Total Share Capital (in Crores)	'Mar2020'	'Mar2019'	'Mar2018'	'Mar2017'	'Mar2016'
	39.95	39.95	39.94	39.94	39.94
Equity Share Capital (in Crores)	39.95	39.95	39.94	39.94	39.94

- Reserves are usually money earmarked by the company for specific purposes. Surplus is where all the profits of the company reside. Hero MotoCorp have been doing well in this analysis where the reserves and surplus amount has increased by the years and is doing better as they can reserve a particular amount of money for effective use of resources by the reserved money. The company is effective enough to increase their reserves and surplus over the years which shows



high stability of profit earning strategy of effectiveness is found in the organisation.

Reserves & Surplus (in Crores)	<u>'Mar2020'</u>	<u>'Mar2019'</u>	<u>'Mar2018'</u>	<u>'Mar2017'</u>	<u>'Mar2016'</u>
	14081.01	12807.58	11728.94	10071.35	7904.81

- Net Worth is the difference between a company's total assets and its total liabilities. It is also known as shareholder's equity. Hero MotoCorp has attained a net worth of around 3000 crores increase every year starting from 2016, so the analysis of net worth was indeed increasing but not that much compared to the other automobile market competitors, but still Hero MotoCorp has been having the best net worth of the Indian market.

Net Worth (in Crores)	<u>'Mar2020'</u>	<u>'Mar2019'</u>	<u>'Mar2018'</u>	<u>'Mar2017'</u>	<u>'Mar2016'</u>
	14136.40	12857.12	11768.88	10111.29	7944.75

- Considering the Loans both Secured and Unsecured have been 'Zero' in the last 5 years cause the organization have not taken any loans whether secured or unsecured. It shows how well the organization is maintaining its cashflow and does not require any loan to continue their business and has the capacity of a stable market source in the Indian Economy.
- Total Liabilities - Total Liabilities of Hero MotoCorp is stable as they do not have any external loans or funds taken from the third party but at the same time the company owes debts and obligations which make their increase every year of around Rs. 3000 Crores of worth which shows that the company has increased level of expenses which basically means that the organization is growing in a better way in market at the same time increased responsibility to pay the debts occurred in the organisation and to make all of it clear so that the organization can run smoothly and effectively in an organized manner in the Indian Economy.

<b>TOTAL LIABILITIES</b>	<u>'Mar2020'</u>	<u>'Mar2019'</u>	<u>'Mar2018'</u>	<u>'Mar2017'</u>	<u>'Mar2016'</u>
	14136.40	12857.12	11768.88	10111.29	7944.75

- Total Current Assets - Hero MotoCorp has increased their assets as well considering the growth of the market and the organization where we can observe that their assets have been well maintained and their assets include depreciation, capital work in progress, inventories, investments, sundry debtors, cash and bank, loans and advances etc., The Total Current Assets of Hero MotoCorp had a slight increase from 2016 – 2019, considering 2019 particularly where the organization could double their total current assets and had performed well and effectively. 2020 has been a challenge for them and has decreased the total current assets of around Rs. 2200 Crores which makes the asset the organization get affected and have certain losses occurring in the organization’s efficiency.

Assets	‘Mar2020’	‘Mar2019’	‘Mar2018’	‘Mar2017’	‘Mar2016’
Gross Block	10101.96	7994.83	7573.79	6857.99	5926.16
(-) Acc. Depreciation	3984.88	3376.25	2919.25	2462.40	2089.42
<b>Net Block</b>	<u>6117.08</u>	<u>4618.58</u>	<u>4654.54</u>	<u>4395.59</u>	<u>3836.74</u>
Capital Work in Progress	341.27	541.86	318.39	465.05	605.40
Investments	8222.65	5968.61	7525.20	5889.85	4266.37
Inventories	1091.97	1072.37	823.58	656.31	672.98
Sundry Debtors	1603.14	2821.57	1520.18	1561.87	1282.80
Cash and Bank	241.86	136.46	141.34	136.73	131.36
Loans and Advances	1131.36	2481.74	1755.57	1588.86	1545.04
<b>Total Current Assets</b>	<b>4068.33</b>	<b>6512.14</b>	<b>4240.67</b>	<b>3943.77</b>	<b>3632.18</b>

- Total Current Liabilities – Total Current Liabilities of Hero MotoCorp has maintained the level of liability, though there are some fluctuations in the current liabilities occurring in the organization. The small fluctuations seen in the liabilities are the occurrences of the market. Provisions are created for consistency, going concern and accrual which helps the company to recognise the provisions made by the organization where Hero MotoCorp has increased the

level of provisions higher every year in their best policies way to make it more efficient and to reach more customers in an effective manner. Considering the 5 years the Total Current Liabilities is been the least in 2016 and its highest in 2018.

	<u>'Mar2020'</u>	<u>'Mar2019'</u>	<u>'Mar2018'</u>	<u>'Mar2017'</u>	<u>'Mar2016'</u>
Current Liabilities	4344.00	4607.84	4795.19	4468.66	3512.75
Provisions	268.93	176.23	174.73	114.31	883.19
<b>Total Current Liabilities</b>	<b>4612.93</b>	<b>4784.07</b>	<b>4969.92</b>	<b>4582.97</b>	<b>4395.94</b>

- Net Current Assets of Hero MotoCorp was on a loss of around 500 crores+ in the financial year 2019 - 2020, whereas the company has performed extremely well in the financial year 2018 - 2019, where the organization maintained a good report of around 1700 Crores+ which made the organization perform well that the recent years.

	<u>'Mar2020'</u>	<u>'Mar2019'</u>	<u>'Mar2018'</u>	<u>'Mar2017'</u>	<u>'Mar2016'</u>
Total Current Assets	4068.33	6512.14	4240.67	3943.77	3632.18
Total Current Liabilities	4612.93	4784.07	4969.92	4582.97	4395.94
<b>Net Current Assets</b>	<b>-544.60</b>	<b>1728.07</b>	<b>-729.25</b>	<b>-639.20</b>	<b>-763.76</b>

- Total Assets of Hero MotoCorp is the most important part of the analysis because the more total assets gained by the organization, the better the organization turns out to be in the market and will have an increased efficiency comparing other business with the similar sector of business. Hero MotoCorp has performed well throughout the years and has a value of growth involved throughout every year of their assets considering the overall asset sector to make it an efficient organization of around Rs. 1500 – 2000 Crores of worth total assets which shows that the company is growing in the economy.

<b>TOTAL ASSETS(A+B+C+D+E)</b>	14136.40	12857.12	11768.88	10111.29	7944.75
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### Recommendation

A strong Hero MotoCorp recommendation must cover the key areas as how the organization will implement the alternatives, what benefits will it receive if it implements when the alternatives and what could be the cost, that organization will need to overcome or address, in order to effectively implement the alternatives. In addition to this, once the alternative is selected, the recommendation needs to entail what change it will bring to the organization like the 20 % increase in the Hero MotoCorp sales or profits or the sustainability or increases in market share. These factors are important to be mentioned in the recommendation, in order to make it strong and firm and allow the stakeholders/reader to connect the problem and solution, leading to better understanding.

Lastly, under the recommendation, it is important to incorporate the finding from the past, so to make the given Solution more acceptable. A good recommendation is that, incorporates the findings from the past. This is important, as it allows the reader and stakeholders to understand the proven facts, and the pasts results such recommendation has harvested, leading to more acceptability and also the determination of the plan that may be in need to be adopted so to avoid the delays and resistance in the organization, while implementing the change.

By having a closer look over the matrices used for financial analysis, it is to say that the financial statements hold notable importance because it evaluates the management performance, plans and corporate strategy for future.

In addition, the financial analysis helps companies in making the more informed decisions for the firm. The underlying objective of the financial analysis is organizing the financialstatement as well as other accounting data of an organization enabling the comparisons with other companies, also enabling to accurately evaluate raw data. In short, it provides the basis to company's executive, analysts and manager of making the company profitable in forthcoming years.

# **CHAPTER - 6**

## **LEARNING EXPERIENCE**

Hero MotoCorp is one among the best in the automobile industry which shows several aspects where I could an exposure about the market and the role of Hero MotoCorp in the automobile industry.

- Hero MotoCorp remains a debt-free franchise with high return ratios.
- In both motorcycle & scooter segment, Hero MotoCorp Ltd has faced severe competition from its peers resulting in a loss of market share. Hero MotoCorp Ltd. margins have remained under pressure in the past fiscal years as the product mix deteriorated. However, with the launch of the LEAP program, Hero MotoCorp Ltd. has managed to show a significant cost reduction.
- Hero MotoCorp Ltd continues to boast of a negative working capital cycle even as the industry faces a slowdown. Even with aggressive capex planned, FCF generation is likely to be strong as the working capital management remains strong.
- Hero MotoCorp Ltd plans to double its target export markets from currently 29 to 50 countries over next few years. Hero MotoCorp Ltd being one of the last entrants who could find it difficult to compete against incumbents due to limited scope to differently position its product.
- Industry Growth has been coupled with several new launches by competition in 100cc Executive segment would curtail pricing power and put pressure on margins.
- Hero MotoCorp Ltd. has been able to maintain a leadership position in the two-wheeler segment despite stiff competition on the back of higher warranties, established distribution strength and increasing spends on R&D.
- Hero MotoCorp Ltd. need to focus on premium segment where Bajaj TVS, Royal Enfield are doing great in that area where Hero is not having much market share.



- A Global corporate, a Global brand.
- World-class research and development capabilities
- Green and sustainable manufacturing
- Greener, safer & more equitable earth
- A Sporting hero

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## WEEKLY PROGRESS REPORT

Student Name	MONCY PAUL
USN	1CR19MBA51
Title of the Study	Organization Study
Organization	Hero MotoCorp Ltd.
<b>WEEK-1</b>	
Duration (start date - End date)	<b>6.8.2020 - 12.8.2020</b>
Chapters covered	Chapter 1 and Chapter 2
Descriptions of activities performed during the week	Introduction to organization, Industry profile and Company profile
<b>WEEK-2</b>	
Duration (start date - End date)	<b>13.8.2020 - 18.8.2020</b>
Chapters covered	Chapter 3
Descriptions of activities performed during the week	McKensy's 7S Framework Model & Porter's Five Force Model
<b>WEEK-3</b>	
Duration (start date - End date)	<b>19.8.2020 - 26.8.2020</b>
Chapters covered	Chapter 4 and Chapter 5
Descriptions of activities performed during the week	SWOT Analysis and analysis of financial statements
<b>WEEK-4</b>	
Duration (start date - End date)	<b>27.8.2020 - 30.8.2020</b>
Chapters covered	Chapter 6
Descriptions of activities performed during the week	Learning experience and Bibliography



**Signature of the Student**



**Signature of the Guide**